

AN ACT in relation to installment loans.

Be it enacted by the People of the State of Illinois,
represented in the General Assembly:

Section 5. The Consumer Installment Loan Act is amended
by changing Sections 15 and 17 as follows:

(205 ILCS 670/15) (from Ch. 17, par. 5415)

Sec. 15. Charges permitted.

(a) Every licensee may lend a principal amount not
exceeding \$40,000 ~~\$25,000~~ and may charge, contract for and
receive thereon interest at the rate agreed upon by the
licensee and the borrower, subject to the provisions of this
Act.

(b) For purpose of this Section, the following terms
shall have the meanings ascribed herein.

"Applicable interest" for a precomputed loan contract
means the amount of interest attributable to each monthly
installment period. It is computed as if each installment
period were one month and any interest charged for extending
the first installment period beyond one month is ignored.
The applicable interest for any monthly installment period is
that portion of the precomputed interest that bears the same
ratio to the total precomputed interest as the balances
scheduled to be outstanding during that month bear to the sum
of all scheduled monthly outstanding balances in the original
contract.

"Interest-bearing loan" means a loan in which the debt is
expressed as a principal amount plus interest charged on
actual unpaid principal balances for the time actually
outstanding.

"Precomputed loan" means a loan in which the debt is
expressed as the sum of the original principal amount plus

interest computed actuarially in advance, assuming all payments will be made when scheduled.

(c) Loans may be interest-bearing or precomputed.

(d) To compute time for either interest-bearing or precomputed loans for the calculation of interest and other purposes, a month shall be a calendar month and a day shall be considered 1/30th of a month when calculation is made for a fraction of a month. A month shall be 1/12th of a year. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same numbered date, to the last day of the following month. When a period of time includes a month and a fraction of a month, the fraction of the month is considered to follow the whole month. In the alternative, for interest-bearing loans, the licensee may charge interest at the rate of 1/365th of the agreed annual rate for each day actually elapsed.

(e) With respect to interest-bearing loans:

(1) Interest shall be computed on unpaid principal balances outstanding from time to time, for the time outstanding, until fully paid. Each payment shall be applied first to the accumulated interest and the remainder of the payment applied to the unpaid principal balance; provided however, that if the amount of the payment is insufficient to pay the accumulated interest, the unpaid interest continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the principal balance.

(2) Interest shall not be payable in advance or compounded. However, if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, then the principal amount payable under the new loan contract may include any unpaid interest which has accrued. The unpaid principal balance of a

precomputed loan is the balance due after refund or credit of unearned interest as provided in paragraph (f), clause (3). The resulting loan contract shall be deemed a new and separate loan transaction for all purposes.

(3) Loans may be payable as agreed between the parties, including payment at irregular times or in unequal amounts and rates that may vary with an index that is independently verifiable and beyond the control of the licensee.

(4) The lender or creditor may, if the contract provides, collect a delinquency or collection charge on each installment in default for a period of not less than 10 days in an amount not exceeding 5% of the installment on installments in excess of \$200, or \$10 on installments of \$200 or less, but only one delinquency and collection charge may be collected on any installment regardless of the period during which it remains in default.

(f) With respect to precomputed loans:

(1) Loans shall be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may be longer than one month by not more than 15 days, and the first installment payment amount may be larger than the remaining payments by the amount of interest charged for the extra days; and provided further that monthly installment payment dates may be omitted to accommodate borrowers with seasonal income.

(2) Payments may be applied to the combined total of principal and precomputed interest until the loan is fully paid. Payments shall be applied in the order in which they become due, except that any insurance proceeds received as a result of any claim made on any insurance, unless sufficient to prepay the contract in full, may be applied to the unpaid installments of the total of

payments in inverse order.

(3) When any loan contract is paid in full by cash, renewal or refinancing, or a new loan, one month or more before the final installment due date, a licensee shall refund or credit the obligor with the total of the applicable interest for all fully unexpired installment periods, as originally scheduled or as deferred, which follow the day of prepayment; provided, if the prepayment occurs prior to the first installment due date, the licensee may retain 1/30 of the applicable interest for a first installment period of one month for each day from the date of the loan to the date of prepayment, and shall refund or credit the obligor with the balance of the total interest contracted for. If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee shall credit the borrower with the same refund as if prepayment in full had been made on the date the judgement is entered.

(4) The lender or creditor may, if the contract provides, collect a delinquency or collection charge on each installment in default for a period of not less than 10 days in an amount not exceeding 5% of the installment on installments in excess of \$200, or \$10 on installments of \$200 or less, but only one delinquency or collection charge may be collected on any installment regardless of the period during which it remains in default.

(5) If the parties agree in writing, either in the loan contract or in a subsequent agreement, to a deferment of wholly unpaid installments, a licensee may grant a deferment and may collect a deferment charge as provided in this Section. A deferment postpones the scheduled due date of the earliest unpaid installment and all subsequent installments as originally scheduled, or as previously deferred, for a period equal to the

deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one month period may not exceed the applicable interest for the installment period immediately following the due date of the last undeferred payment. A proportionate charge may be made for deferment for periods of more or less than one month. A deferment charge is earned pro rata during the deferment period and is fully earned on the last day of the deferment period. Should a loan be prepaid in full during a deferment period, the licensee shall credit to the obligor a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan in full.

(6) If two or more installments are delinquent one full month or more on any due date, and if the contract so provides, the licensee may reduce the unpaid balance by the refund credit which would be required for prepayment in full on the due date of the most recent maturing installment in default. Thereafter, and in lieu of any other default or deferment charges, the agreed rate of interest may be charged on the unpaid balance until fully paid.

(7) Fifteen days after the final installment as originally scheduled or deferred, the licensee, for any loan contract which has not previously been converted to interest-bearing under paragraph (f), clause (6), may compute and charge interest on any balance remaining unpaid, including unpaid default or deferment charges, at the agreed rate of interest until fully paid. At the time of payment of said final installment, the licensee shall give notice to the obligor stating any amounts unpaid.

(Source: P.A. 90-437, eff. 1-1-98.)

(205 ILCS 670/17) (from Ch. 17, par. 5423)

Sec. 17. Maximum term and amount. The loan contract shall provide for repayment of the principal and charges within 181 months from the date of the loan contract or the last advance, if any, required by the loan contract. No licensee shall permit an obligor to owe such licensee or an affiliate (including a corporation owned or managed by the licensee) or agent of such licensee an aggregate principal amount of more than \$40,000 \$25,000 at any time for loans transacted pursuant to this Act.

(Source: P.A. 90-437, eff. 1-1-98.)